A Dirt-Cheap Value Stock With Big Dividend Income to Buy in 2020

Description

If you're looking to add a steady stream of dividend income to your RRSP or TFSA in 2020, you're in luck. Thanks to weak **TSX** returns over the past five years, the index has a fairly high average dividend yield (around 2.8%). Just by buying the TSX through a fund like **iShares S&P/TSX 60 Index Fund**, you could easily get a respectable yield.

But if you're looking for a truly phenomenal dividend, there's an even better play you could make. It's a stock whose price has been treading water for five years, despite the fact that the underlying business has been growing considerably. This stock has one of the best five-year dividend-growth rates on the TSX, and its yield today is already close to 6%.

The name of that stock?

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is Canada's biggest pipeline company, operating one of the largest pipeline systems in the world. Shipping crude oil and LNG all over Canada and the U.S., it has a huge transportation network.

From 2015 to 2018, the company grew its net income from $250 million to $2.8 billion — an unbelievable earnings growth rate. More recently, it pumped out $3.1 billion in adjusted EBITDA in a *single quarter.* This is excellent growth, and what's more, it could continue. Enbridge is currently pursuing two projects that could increase its transportation capacity significantly: the Line III replacement and the Line V tunnel.

The Line III replacement will take Enbridge's existing Line III infrastructure and modernize it, increasing the amount of crude it can transport. The Line V tunnel will also add transportation capacity. Both projects faced significant political and legal pushback, but both have received good news on that front, with a court tossing out a challenge to Line V and refusing to hear further challenges to Line III.

A dirt-cheap valuation

Because its stock has been flat while earnings have been growing, Enbridge shares have gotten cheap. The stock trades at just 17.5 times earnings and 1.7 times book value, despite strong earnings growth. Oil and gas stocks are priced low because energy prices have been weak for the past few years, but Enbridge, as a pipeline, doesn't depend on strong oil as much as extraction and marketing companies do. This is because it makes money by charging transportation fees to customers rather than by selling oil directly.

Sky-high dividend income

A final point worth mentioning about Enbridge is that it has incredible income potential.

At current prices, the stock yields 5.86%, which means it can generate $5,860 a year in income with just $100,000 invested. Not only that, but the stock's dividend growth has been extremely strong. Over the past five years, Enbridge has increased its dividend by 17% a year on average. Just recently, management upped the payout by 10%. This is extremely solid dividend growth, and the stock already has an incredible yield. If you're an income investor, ENB is one to pay attention to.

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